

Austin Energy Utility Oversight Committee Meeting Transcript –5/28/2015

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>> Good morning, I'm Sheri Gallo, chair of Austin energy committee, a committee of the whole. This is Thursday, may 28, and we have a quorum to be able to begin this meeting. So if -- let's see. First order of business is the approval of the minutes. Do I hear a motion to approve? There's a motion to approve the minutes of April 23rd, 2015. By councilmember Houston. A second. Councilmember Renteria second. All in favor? Aye? Any opposed? Passes unanimously on the dais. Next we have citizens communication, and I see one, two, three -- four speakers. If you could come towards the front and be ready to speak when it's your turn. I have Jared lamb, Paul Robbins, Karen Hadden, I can't read the writing, I'm sorry, okeabe, excuse me, white. Jared, you're first. Three minutes. Is Jared here? Okay. Next is Paul Robbins, please.

>> Council, I'm here to ask you to take action to correct Austin energy's broken customer assistance program so it's giving all of its proceeds into people in need. Too often social programs throw money at programs without monitoring their effectiveness. Last summer I followed up on a hunch and found that automatic enrollment system that selects customer assistance program participants was inadvertently enrolling some wealthy people. At least 66 of the participants owned or co-owned real estate assets worth over a million dollars, at least 1100 had assets over \$300,000.

[9:15:59 AM]

If even 5% of the money is going to the wrong people, that means at a minimum 1500 additional capped participants that can be added to those that actually need help. This information was made public on

December 1 of last year. I am asking you to take two actions to correct this long-festering problem. One is a short-term remedy. To allow Austin energy the discretion to remove customers with high real estate assets from the program. They can be allowed do -- to reapply under income guidelines, those most will not. The second is a 3-pronged approach to create a permanent solution. One, a cost-effective -- find a cost-effective way to income-qualify participants so that the money is going to work in people. Two, an analysis of how many capped participants can be enrolled if the discount is given only to people can moderate levels of usage, that is, no higher than the third tier of consumption. That's 1500-kilowatt hours. That's 60% more than the average person. The top two tiers would be excluded from a customer discount, and that additional money could be given to more people in need. Austin water already does this with its highest water use tier. And, finally, administrative changes that would allow no more than one customer discount per customer. In my review, I found several receiving more than one discount.

[9:18:04 AM]

You can't throw money at a problem, council. Give the funding to the right people. Thank you.

>> Gallo: Thank you.

[Buzzer sounding]

>> Gallo: Perfect timing.

[Laughter]

>> Gallo: Impressed. Second person, Karen Hadden, please. I'm sorry, excuse me. We have a question, Mr. Robbins.

>> Troxclair: I wanted to say, Mr. Robbins, thank you so much for your research on this issue and for bringing this to my attention. I know my staff has been working with Austin energy to try to correct the problem. We were prepared to come forward with a resolution, but I think Austin energy is prepared to take some steps to ensure that the money is going to those most in need, and I hope we'll hear more about that plan today. And I welcome your feedback after they present.

>> Thank you, councilmember.

>> Troxclair: Thank you.

>> Good morning, mayor, councilmember -- let's try that again, good morning, mayor, councilmembers.

>> Mayor Adler: Good morning.

>> I'm Karen Hadden, serving on the electric utility commission as vice chair but I'm here in a personal capacity at the moment. I do want to raise a couple issues that are on your agenda today. On agenda

item 3, the electric utility commission failed to approve this to send forward to you. One of the concerns we have is one of the contractors. It's the third one there, called leidos. When we tried to find out who this company is we looked on their website, and we found a picture of a bunch of soldiers with guns and learned that they are one of the largest military contractors in the UK, and it raised questions of why we needed to contract with this company. Are we trying to do some kind of international defense here at Austin energy?

[9:20:04 AM]

And especially there are other companies that can do demand-side management and other kinds of work, and it just did not seem like a good fit. Possibly if this was to go forward minus that company as a vendor it wouldn't be so offensive but that was a real red flag for us. Item number 4, I just think you should be aware of the fact that this \$14 million contract for gas plant turbines is going to transcanada turbines. There is a relationship there with the transcanada company as in keystone Exxon pipeline. I want you to know that. When we asked Austin energy about that they did not know the exact corporate relationship but said they were connected. Lastly, I'd like to raise, kind of in connection with item 8, but you probably have seen the electric utility commission resolution that came forward about getting people the exact information they need on how to dispute a bill. Sometimes a bill is just plain wrong. Up until now, it's almost as if there's been an assumption that the only question was how to get that bill paid, and it's been very, very difficult for people to find out how to actually dispute a bill that's wrong. And so we think that that should go on the insert of the monthly bills, that it should be prominent on the website and labeled appropriately because that information was on the website, but it could literally take an hour to find it, and it was mislabeled. We have gotten good response from jj Guiterrez, who says, yes, we can work on this. I want it to be on your radar screen too because I think it's very important. Thank you so very much.

>> Gallo: Thank you. Are there any questions?

>> Tovo: I have a question for Ms. 40en. Ms. Hadden, thanks for being here today and for your service on the electric utility commission.

[9:22:07 AM]

Can you remind me, I know you said that item 3 was not approved by the euc?

>> Right. We failed to approve it.

>> Tovo: How about -- what was the euc's decision on number 4? I probably have this in my backup, but if you happen to recall.

>> I believe I was the dissenting vote on that one.

>> Tovo: Okay.

>> You know, there was concern by several members. I'm not sure. We might not have approved this one either.

>> Tovo: I'll double-check it. Thank you very much for being here.

>> Zimmerman: Before you go, do you have any more information -- you said there was a connection between the keystone pipeline group and transcanada. Do you have any more details on that?

>> No. Unfortunately. Because when I asked Austin energy about it, they were unable to supply anything other than they thought it was connected.

>> Zimmerman: So, I mean, it may be important and it may not be important.

>> Right, right.

>> Zimmerman: Thank you.

>> Maybe you can get more clarification.

>> Gallo: Any other questions? Yes, one more.

>> I'm sorry.

>> Gallo: Councilmember troxclair.

>> My apologies.

>> Troxclair: No problem. You were talking about item 4. It says here on April 20 it was approved bit euc on a vote of 66-0 --

>> Okay -- on number 4?

>> Troxclair: Yes. Hmm, that's not my election. I apologize. Thank you.

>> Troxclair: Okay, thanks.

>> Gallo: Ms. White.

>> Good morning, mayor, councilmembers. I apologize for my bad handwriting. I wanted to talk to you about a couple quick issues today. First of all, I actually want to commend Austin energy on getting the rfp for up to 600 megawatts of solar out ahead of time last month. And I think you all know that those proposals are now in the -- the decline was on the 15th. And -- deadline was on the 15th. I'm bringing

this up because we need to make sure the process of reviewing the proposals is done in a timely manner and I think a timely manner in this case is hopefully to bring something to council in the next month before y'all go on your much deserved July break.

[9:24:20 AM]

So I hope you will -- since it's not on the -- reviewing those proposals and perhaps it's a discussion that should come up in some other venues that you all can be getting that information so it's not just coming to you once and you have to make the final decision the first time you're hearing about this. So just I hope you're all keeping that in mind. It is a time-sensitive issue and one that ultimately I think will, you know, have the ability to save customers money in the Austin energy service area. Also, I wanted to talk -- I know y'all are going to be making budget decisions, and I don't believe that Austin energy, farce I as far as I know has released detailed line -- for the past couple years or local solar budget has remained about the same, \$7.5 million, and in one regard that's good. It hasn't gotten cut. This upcoming year is significant, in that it's the last one that customers are going to be able to benefit at all from the solar investment tax credit. So that money that we spend over the upcoming budget cycle is leveraged through federal money, and it it will not be he leveraged going forward more than likely unless, you know, congress does something very unexpected, I think. So I would encourage to you maybe ask some questions about the value of perhaps expanding the budget in this time period to be able to move forward on the goals that have been established. We have a goal of 70 megawatts by 2020 of that local customer-controlled solar, and getting a little boost over the next cycle would help us reach those goals. And to put that in perspective, I do want to touch on item number 4, and I didn't sign up against it, but I would like to be registered as against this item.

[9:26:26 AM]

You know, it seems like we're talking about quite a bit of money here, you know, \$14 million for a new gas turbine. Without a lot of discussion so far, I hope that y'all do have some.

[Buzzer sounding]

>> This is more than we're spending on most of our other programs. So it's significant. Thank you.

>> Gallo: Thank you. Council, any questions? No?

>> Zimmerman: Very quick question.

>> Gallo: Okay.

>> Zimmerman: I think -- you can correct me if I'm wrong, but I think the rationale for the gas turbines is that we actually make money because of the low cost of natural gas we sell into the grid and make money. If we don't make money we can't afford to keep paying solar subsidies but I argue we can't afford the solar subsidies anyway.

>> I know do you.

>> Gallo: Any other questions? Thank you. That completes citizen communication. To talk before we get started about the timetable for the agenda today, as many of you know we have also scheduled a city council specially called meeting to begin no earlier than 10:00. So our plan at this point is to address the first four agenda items on the -- on our committee, and then we will recess if it is at least 10:00, and start the council meeting and go through the council meeting and then come back for the five -- for the briefings five through ten. Since the agenda got fairly long, we've actually pulled agenda item number 11, that will be scheduled for a future committee meeting. Unfortunately, I'm not going to be able to be here for the afternoon session for Austin energy committee, and so councilmember vice chair pool will be handling the staff briefing on the items from -- 5 through 10. So that is the proposed plan for the day.

[9:28:28 AM]

And we'll work through that. And I want to -- as we start, I appreciate you being here and just want to say that I know the last handful of days have been a really struggle for all the departments of the city and all the citizens of the city and surrounding communities. So I just wanted to give you an opportunity also to maybe just address the challenges that your department and your wonderful employees faced as we had this really inclement weather that we all struggled with.

>> Ms. Gallo?

>> Gallo: Yes.

>> Sorry. I think that the agenda for the council meeting posted at 11:00, not 10. So we'll move at that point. And I would also note that there will be some councilmembers that are going to be moving apparently for the challenge item to be pulled up at a time certain at 4:00 this afternoon. We have some out of area people that will be showing up at 11 to be angle to speak on that, some of the other cities that we had done. So it's my intent at this point, whether or not we also extend the public meeting on that until 4:00, in other words, not take any action, if we do have councilmembers and other people that are arriving here at 11:00 to speak I'm going to invite them to participate and give testimony at that time as well.

>> Gallo: Thank you. Did you have a question?

>> Tovo: I do. I want to be sure I understood we are only going to get through the four items or that's the expected plan for this morning and 5 through 10 are delayed until after our council meeting?

>> Gallo: So it sounds like -- initially I was thinking the council agenda was posted to start at 10:00, since we cannot start that until 11:00 we actually may be able to get a little further into the agenda.

[9:30:32 AM]

We'll recess at that point, 11:00, if we have at least gotten through the first four agenda items.

>> Tovo: I understand the reasoning for that. I think that makes sense. I would note for number 9 and ten we do have community members here to present to us and so would I raise that to the chair's consideration, that I'm not sure what their availability is like, if we ended up not getting to those issues until much later in the day. We might want to just assess and see what their schedule is like.

>> Gallo: Okay.

>> Tovo: For that. One solution I might offer is that we have had a staff briefing on number 8, and so the low-income advisory it was, and number 10, might be paired with 8 for economy, we might go right to the community members that have come to do their presentation.

>> Gallo: Thank you. I think the most appropriate thing is as we get closer to 11:00 is see where we are on this agenda. I'm not sure how much conversation we'll have on the first four items -- first other two items at this point. Okay. Thank you.

>> Good morning. Mayor, council, Larry Weiss, general manager, Austin energy. I'll move quickly through stuff not on the agenda, but first of all in front of you is our quarterly report, second quarter report. We put these out and very important information. We in the past probably over a year ago used to brief council on this but it was something that obviously conserve read, call us if you have any questions. But this is our report. The second thing I wanted to talk about that's, again, not on the agenda is about the outages that we had over this weekend. Starting Saturday evening, we had an ef1 tornado hit the north pastor our service area at 9:39 exactly at run burg and I-35.

[9:32:37 AM]

And that literally ripped a lot of our system up in that area. We activated incident command 10:30 that night and that's emergency operations center at the city operates and everybody was there. Austin energy isn't always there. Depending on how many big outages we have. So we had about 50,000 people out. To give you perspective, the last time we had an outage that big was in 2008, in may, 15th,

and that was 40,000 customers were out. One of the worst storms that I've heard about is back in the '80s, we had an ice storm, when we get ice storms in the winter time that's one of the worst we could have and we had a lot more than that out. But at outages we had a lot of things break, transformers and switch gear and a lot of stuff that broke. That's very time-consuming to repair, but there were no customers that got really angry at me, hopefully not at and you we did a good job communicating to all of our customers about the time. We have a really good outage system. For those of that no access to a computer we still use the old system, to where people can access us by telephone, and so we had 37 poll replacements, 158 trees on the ground, a lot of other statistics. The only other operational item is the holly power plant created lady bird lake with the dam. So we operate longhorn dam and we had Gates operate there that needed to because of all the water coming through but everything operated correctly and we're back in service. So first thing I wanted to say before we talk about item 3 is I think there's a little confusion by the euc. I wish I had been there. Leidos is actually Spanish and means red well or -- somebody speaks Spanish better than me can tell me, but leidos is the company we're hiring, not leidos the defense contractor.

[9:34:39 AM]

It's formerly a division of some other engineering company so totally different companies. I wanted to make sure you knew that. With that on item 3 if you have any questions I've got staff here and we can talk about that.

>> Pool: Colleagues, the chair has stepped squaw asked know take over the mic as vice chair. Yes, councilmember Houston.

>> Houston: Yes. Mr. Weis, just a quick question. Could you explain to me what demand-side management consulting actually does?

>> Well, demand-side management consultant actually has the technical ability to do the analytics necessary to determine the results of the programs that we operate. There's a lot of engineering statistics that go into it. And what we do is when we do energy efficiency and we replace air conditioners it isn't just the energy the air conditioners save but if you think about 100 air conditioners that are replaced, what happens is the old air conditioners when it got really warm all 100 ran at the same time. New air conditioners because they're more efficient don't run all at the same time so what happens is they cycle. We have a lower peak because all those air conditioners aren't on at the same time. Similarly, that strategy is how we apply the demand-side management across our entire sector with everything we do, and these consultants really are our independent evaluators who come in and tell us whether we're doing it right, whether we're doing it wrong, and they consult with a number of other utilities across the country. We're not the only ones that have big demand-side management goals. There are many utilities that do. So we're use this expertise. Frankly, what we get is expertise they

have developed for other utilities we might apply those ideas to ourself. Debbie, do you have anything to add to it?

>> I think in response to your question, they provide both demand-side, which is conservation, reducing consumption for a customer throughout the day, as well as just as Mr. Weis stated, reducing our system peak, which avoids the need to acquire more expensive peak power.

[9:36:57 AM]

They also look at and I would also add with respect to the one business that was referred to by commissioner Hadden, that particular business is doing a significant amount of work in the state of Hawaii to look at means by which that state can reduce their rates, reduce consumption, and they are also looking at storage technologies, which was a directive of a citizen. Appointed panel last year, to get to a certain level of storage. So there was a very comprehensive rfp that was posted and those three companies were the top selected as part of the purchasing process.

>> Houston: So one more question.

>> Sure.

>> Houston: I'm going to vote against -- several contracting opportunities so that we could have women/minority-owned business do's some of the work is this.

>> Frankly, we didn't. If memory serves, we didn't have any women/minority business that's provided bids. We go --

>> Houston: No. I'm asking, could this one bid -- could have been, the scope been done differently so viewed the big scope and then a smaller scope to do things like installing or something else so that we could have some opportunity for our small businesses, women and minorities to participate in such a large contract?

>> Debbie?

>> I would say -- oh, thank you from purchasing.

>> Good morning, council, Veronica, director of small minority business resources department. I apologize I can't answer the question about the scope but I was going to answer the question about subconsulting opportunities. One of the recommended firms that you're looking at today did have some subcontracting participation, and that was gds. They are proposing to sub out to three certified firms.

[9:38:59 AM]

I apologize it was not listed in your agenda language but it should have been there.

>> Houston: Thank you.

>> Mm-hmm.

>> Tovo: I have a question.

>> Pool: Characterization do you want to take the gavel back or would you like me to finish out with this item?

>> Kitchen: I have a related question. Am I understanding correctly that only one of the firms -- subcontract to certified -- okay. So does that mean that there was no requirement as part of the rfp?

>> We did not establish goals for this rfp. This was an rfp -- so there was not a requirement for subcontracting. When we set no goals on a contract it does require the respondents to confirm they are not subconsulting anything. If they do subconsult any part of the work they do have to go through our process at one point.

>> Kitchen: So this one firm did that.

>> That is correct.

>> Kitchen: That points out to me it is possible to divide out these contracts, and I share councilmember Houston's concern that with a contract that's so huge that we're not putting requirements on that. How many firms are we talking about contracting with here?

>> I believe it's three.

>> Kitchen: Of the three, only one of them is subcontracting with -- some St. Minority or women-owned businesses.

>> It's both.

>> Kitchen: So only one of the three?

>> That is correct.

>> Kitchen: Is there -- how much of the funds will go to that one as opposed to the other two?

>> Councilmember kitchen, these contractors are retained, but they are not paid unless there is a project that comes through, in which case all of the contractors must submit a bid. So no money is paid until a scope of work is developed and then these three will competitively bid. And at that point the determination will be made based on cost and the other credentials.

[9:41:05 AM]

So no money gets paid unless a scope of work is developed.

>> Kitchen: Okay. All right. That makes sense. Thank you for the clarification. At that point how did we determine whether requirement for a minority or women-owned business participation is included in that scope of work.

>> At that point as an assignment is made we will work with Austin energy to look at the scope, look at opportunities within that scope. The mbe, WBE program applies throughout the life of the contract. At any point in the contract if the firm receives an assignment and they intend to sub any portion of it they will have to go through our program.

>> Kitchen: Well, my question is, Austin energy sets the scope, correct?

>> That's correct.

>> Kitchen: So how is the determination made in that scope, and what can we do as councilmembers to help work towards making sure that those scopes include minority and women-owned business? Does that come back to us to review at any point? Or are these contracts just awarded and the scope set without it coming back to us.

>> Councilmember kitchen, we would be happy, when we have -- and typically that is our practice to do that sort of thing. We would be happy, when we have a scope of work that is developed, to include that in the scope of work so that we're able to assess the ability to have that subcontracted. I will tell you that in the case of some of the types of work that are done, I think there is a good case that can be made for that inclusion. But in others not necessarily. So, for example, if you were doing a comprehensive energy efficiency potential study, it may be more difficult to get that type of subcontracting capabilities. But there are a number of projects, in particular those that are recommended by the low-income consumer advisory it was, who you will hear from later today, that I think provide an excellent opportunity to include that in the scope of work that is developed as we are developing approaches to enhance our reach on low-income weatherization and related programs.

[9:43:21 AM]

>> Kitchen: Well, you know, I'd really like to talk -- I don't want to take up the -- I don't want to take up the group's time, but there are lots of opportunities -- there are -- a lot of opportunities in these large consulting contracts to be more creative in terms of asking for that. So I'd like to have a longer conversation, and I'll set that up, because I think that we really need to look at all the things that these large companies do to allow for this. And I think we need to look beyond. Because I think there's more

opportunities. I've worked in consulting myself for both large firms and small firms, so I think that I have some perspective on that.

>> Councilmember, if I could just share with you as well as well, that has come to our attention, particularly looking at consulting services. We're working closely with the purchasing office to see how we can increase those opportunities and with law to see what flexibility we have within the mbe, WBE program to be a little bit more aggressive in applying the program.

>> Kitchen: My last comment is simply these are such huge contracts. I feel like we're losing major opportunities, and I feel like, as a council, that's not coming back to us in a way that we can provide some input.

>> If I could just also add one more thing about Austin energy. They, do in their department, have a mbe/wbe staff member who is really -- really sifts us in a more proactive way as well. So it's an added bonus.

>> Kitchen: Thank you.

>> Gallo: Thank you. We have several people wanting to ask more questions. Councilmember troxclair.

>> Troxclair: I wanted to make a comment that we do have not only a staff briefing but also a presentation by the minority and a panel discussion with the minority trade association's representatives scheduled for next economic opportunity committee meeting so I would encourage any councilmembers interested in having more of a deep dive on this issue and possibly coming one policy recommendations to participate in that meeting.

[9:45:31 AM]

>> Gallo: Councilmember Zimmerman.

>> Zimmerman: Thanks. I have a quick question for both of you. Purchasing first. I notice here in the backup material, it makes reference -- says the contracts will assist the utility in achieving the energy efficiency and renewable goals initiated by generation and climate protection plan 2007. So obviously most of us were not here on the dais in 2007. So my question is down at the bottom of the page, it says city council's mandated 2025 energy efficiency goals necessitate, you know, these consulting services. The point being, apparently this \$2 million -- up to \$2 million of spending is the result of the council passing a certain, you know, climate protection plan, energy efficiency goals. So my question is was this part of the resolution? In other words, when the council takes a vote and says, hey, we want to do -- we want these efficiency goals, was the \$2 million of consultant fees factored into that decision?

>> Well, not directly. What happens is, when we have a strategic goal like what was set up in 2007, we are to bring to the budget process every year all of the work that we need to do to achieve those goals.

The goals change this way or that way, and then we need to revise our budget accordingly. So this particular area of Austin energy, along with our generation and some of our other -- we have many needs for consultants, and so that's really something that we put into all of the projects that we do. Like, if we're looking at generating projects or anything else, we do lots of times incorporate contracted costs in all of those estimates when we bring --

>> Zimmerman: All right. In other words, if there's a policy decision made up here, which it's made all the time, it's typically in a vacuum of what it's going to cost.

[9:47:34 AM]

So everybody is for energy efficiency, right? Everybody is for that. The point is when we pass some kind of plan up here, when we don't have the cost, these costs come to us later outside the decision that's already been made. So, you know, as a policy, I think our council has to understand, you know, the impacts, the cost, of a policy before we vote on it. Because if we're always voting on a policy or a plan and we don't understand the cost, then we're making an uninformed vote because we don't know what costs we're integrities on our bill payers.

>> If I might, councilmember Zimmerman, your points are well-taken. Would I note that we have had for a number of years a range -- arraignments with three consultants that has been covered within our budget. In fact in the case of this rfp we reduced the cap and, as I said previously in response to councilmember kitchen's question, that is absolutely a cap, but it may mean that in any one year we may spend far less or no money with those consultants. If we had the expertise internally, we of course would rely on internal expertise. So that is one item that could drive consulting work, where we want to see an independent body provide support. But as I stated, the low-income consumer advisory it was has floated items they would like to see referred to an independent consultant. So I just wanted to provide a little bit of context. Thank you for your input.

>> Gallo: And I think we have councilmember Houston and then councilmember pool.

>> Houston: Thank you so much for providing that additional context. Because it's kind of like an escrow account. If you need it, I'll use it. If you don't, you won't. So I appreciate that. My question is about the solicitation pool. What does that professional rotation list look like? Is it just the city of Austin that we use, or . . .

[9:49:39 AM]

>> Councilmember Houston, James Scarborough. I guess the pool of potential offers to any of our formal solicitations is the public. Because we're required by statute to post all of our formal solicitations on our website, make them available for a minimum period of time. We also, in addition to that, passive notification, we also do active notifications by sending out notices to companies who have registered within Austin finance online to identify to us the types of products and services that they sell. So we notify those that sell the types of products and services that are associated with a given solicitation.

>> Houston: Is there a larger pool of people out there that perhaps do this that we're not -- we're notifying them passively but not intentionally? Like, does the county have a list of people certified? Does the state have a list of people certified?

>> Oh, in terms of certified?

>> Houston: Right. You said you use your -- the Austin certification list.

>> Right. When we provide notice, we provide notice to everyone.

>> Houston: Right. But that's passive notice.

>> And we provide notice to everybody who is registered within the Austin finance online. So that's all certified and noncertified companies. So when you see the number of companies that were notified, in this case -- of those 23 were received mbes by the city of Austin and 13 were received wbes, minority business enterprises and women-owned business enterprises.

>> Houston: I guess my question is, is there a larger pool of people out there that are not on our list?

>> Councilmember, to answer your question, there is a larger pool. The city of Austin mbe/wbe, minority -- women business enterprise program only allows for us to count participation of firms certified by the city of Austin.

[9:51:40 AM]

That's why we directly solicit to the firms certified by the city of Austin.

>> Houston: That's by ordinance?

>> That is by ordinance.

>> Houston: Because I would suspect that the state or Travis county may have additional --

>> That is correct.

>> Houston: -- People who are certified by both of those entities that are not showing up on our list.

>> That is correct. There is some overlap. There are many firms that want to be certified across the board. But there are some firms that are solely certified with the state, historically -- historical underutilized business program or firms that are solely certified with our program, the mbe/wbe program. The county acknowledges our certification so they do not have a unique certification program.

>> Houston: But we don't acknowledge the state's?

>> We do not, not for participation purposes.

>> Houston: Thank you.

>> So as a follow-onto your question, if a state-certified historically underutilized business or hub certified business or certified by the say, if they responded but they're not certified by the city of Austin, they would not count towards the mbe Numbers that you see here. Yes, ma'am.

>> Gallo: Thank you. Councilmember pool.

>> Pool: Thank you, chair Gallo. I would like to see if we could maybe get information on the two different leidos companies so I can be clear that the defense contractor is in fact not the consultant, the energy management consultant. If I could maybe request that we hold on voting on item 3 until we get the information, I think staff can probably results rustle it up in a quick amount of time. That would be great. I would like to get some clarity on -- it's the same name.

>> Councilmember, we can try to start working on that now and perhaps be ready for the formal meeting later this morning.

>> Pool: That would help me. Chair, would that be all right.

>> Gallo: Great, thank you.

>> Tovo: Chair. If I could just add to that, I haven't verified this yet, but a member of the community also texted and said that the logo is the same as well.

[9:53:46 AM]

>> Which one?

>> Tovo: That the logo is also the same for both companies.

>> Okay.

>> Tovo: Again, I haven't verified that. That's just a note I received.

>> All right.

>> Thank you so much.

>> Gallo: Any other questions? Looking both ways here.

>> Zimmerman: Point of order. Is there a motion on the floor regarding the item yet?

>> Gallo: There is not.

>> Zimmerman: There's not?

>> Gallo: Would someone like to make a motion.

>> Maybe we come back to it. I think we can move on to 4 and come back to 3?

>> Zimmerman: Is there a motion to table? No? We can not consider it and go on to the next? Okay.

>> Gallo: So it sounds like the sense on the dais is to move on to agenda item number 4. And welcome back to this item. At some point we'll need to make the decision of whether we do a recommendation on an agenda item number 3 before we move to the council meeting.

>> Okay. Item number 4. Do you want me to do a briefing on it again or --

>> Gallo: I think we're ready to move into agenda item 4 with the feeling that welcome back to 3 once the presentation and discussion on 4 is over.

>> Okay. So on 4, I don't know if we need to do any more background on it than you have. This is -- typically what we have is in our fleet of machines, combustion turbines, when you have 1m6 thousands, intermediate machine, pretty small, we either lease a replacement part or we have a service that comes to fix it quickly, that type of thing. One of the preferred methods is to have a spare, and that's what this program is about. It's very common in our industry, and so that's what this purchase is about. And we have run economics.

[9:55:46 AM]

This has, like, over the life of the machine, a \$38 million net present value benefit to the utility, and I stand -- we stand ready for any questions you have.

>> Gallo: Council, any questions? Councilmember pool?

>> Pool: Mr. Weis, could you give us a little information on the relationship transcanada turbine company has with the keystone XL pipeline?

>> I'll have Elena come up.

>> Good morning, vice president of power production. Transcanada turbines is a sole authorized proprietary that can operate and perform repairs on GE and Siemens machines. It is actually a joint venture of the parent company, transcanada. It is not directly related to the keystone pipeline. However, the parent company is transcanada and transcanada is -- has set up this joint venture specific for the power industry. So it's essentially a financial investment for transcanada.

>> Pool: So they're related in that keystone XL owns this particular turbine company, transcanada?

>> Transcanada is the apparent company of transcanada turbines.

>> Pool: Does that mean they have an ownership stake in transcanada turbines?

>> Yes, ma'am, that's correct.

>> Pool: Okay. So it's true, then, the corporate relationship between keystone XL pipeline and this contractor for the turbines?

>> The turbine repair business is not related in any operations to the keystone pipeline. However, the parent company is transcanada, who is part of the keystone pipeline.

>> Pool: Were there any bidders on this one that would have been not related to keystone XL pipeline company?

>> So we have three individuals that are in this particular contract. We have GE, the original equipment manufacturer for our Im6000 fleet at sand hill energy center, tct, again, the sole authorized maintenance provider for G.E. Machines and we also have wood group.

[9:57:58 AM]

They're responsible for repair and maintenance associated with our gas turbines at the decker site, which are participate and wit machines.

>> Pool: And the assessment on these contracts was those other bidders didn't rise to the level?

>> In this, you have to actually be an authorized maintenance provider for original equipment manufacturers. So essentially you have 206 a company that G.E. Would have certified and said you're authorized to conduct repairs on these machines or Pratt and Whitney.

>> Pool: Does G.E. Have its own company certified to work on the machines.

>> Yes, ma'am. They're one of the offers in this particular proposal that we're seeking additional spending authority with.

>> Pool: Okay. Thank you.

>> Gallo: Any questions? Any other questions? Councilmember kitchen?

>> Kitchen: And I know you said this. I'm just trying to verify. Am I hearing correctly 8 million of these dollars are for purchase of a standby turbine?

>> Yes, ma'am at least correct.

>> Kitchen: Okay. And the reasoning behind having a standby, would that be because you would use it when the others could no longer be maintained, or do you pull it in and out of use?

>> Within the industry, it's fairly common to have a spare turbine. And essentially use it as part of your maintenance program. We conduct annual maintenance on these machines. When one is down, we will be able to put the spare one in and maintain up-time on the unit while we conduct planned repairs and maintenance activities on the removed turbine. And so, essentially, the financial value that Larry spoke of comes from two spaces. One is the revenue we can continue to make, and secondly, to reduce maintenance costs. Typically, without the spare, currently we will pay a premium to expedite repairs and get the machine back up in service to protect our customers from price spikes.

[10:00:06 AM]

Having this spare will allow us to work with -- the maximum value out of the parts that we have. Sometimes you can refurbish parts, it just takes a little bit of time. Essentially, those are the two business-case drivers for the spare turbine.

>> Kitchen: And you don't have a spare turbine now?

>> No, ma'am, we do not currently.

>> Kitchen: Would this be the first time that you're going forward with this kind of approach, having a spare turbine?

>> For this application, yes. But for other applications within our plants, we do have capital spares such as large pumps and motors that also can be, you know, a reliability challenge should they go down. So it's fairly common within the industry. One of the options we evaluated when looking at the business case utilities who have already taken this approach. However, we just didn't see the full value, they're utilizing their engines in the same manner we would be.

>> Kitchen: Would that have cost us less, if we had shared?

>> We looked at sharing and leasing. Both would've been lower cost, less value. The net present value of sharing was break even. For the lease option, it was an \$11 million net present value. The ownership model results in a roughly \$90 million net present value for the utility. And that culminates in reduced o&m expenses and reduced power supply adjustment costs.

>> Kitchen: Basically, this is a policy change, so to speak, in terms of how you address this issue of maintenance, it sounds like. Was this something that was part of budget discussions in the last year, or is this just coming up now?

>> We started this evaluation after we had a failure on a machine in the fall. I had my team start looking at that effort. We did not anticipate it ahead of the budget cycle.

[10:02:07 AM]

We had a failure on a unit that resulted in a lengthy, costly repair. We got insurance recovery back, but it does not re-instate the contract authority. Essentially, that's part of the additional ask, as well.

>> Kitchen: Okay, thank you.

>> Gallo: Councilmember Houston.

>> Houston: Yes, this is just a process question. Can we approve two -- approve just two of the three?

>> I have no idea. But that would be a staff question, also, as far as how this proposal works together with the three companies.

>> We can ask purchasing to help with this.

>> Good morning, Jake Scarborough again. These are contracts that were established in 2011. The first term of the contract concluded 2013, we're into the second term of the contract. Each term is two years. So the current term expires October of this year. And then we have another two years beyond that. So, you have options as a council. You can determine whether you want to limit the amount of the authorization, whether you want to authorize the contract to go forward at all, authorize one of the contracts or what have you, but they all have operational impact on Austin energy. From a contractual perspective, you have --

>> If I may add one other item, I think one of the contractors is probably the discussion around transcanada. Tct and GE operate in the same space with the Im 6,000 fleet. Having two offers helps us when we go out for bid to evaluate best value for our customers. I did want to add that. If you remove one of those, certainly, we work with, you know, premier suppliers that manage their industry within, you know, many nations.

[10:04:16 AM]

And so they're doing their very best, but certainly, in any negotiation, it is always good to have a counter-party to help you negotiate down the cost of repairs, as well as have a schedule alternative.

>> Gallo: Councilmember troxclair.

>> Troxclair: So, you're saying that if we separated -- could be cost implications for customers if something did happen?

>> We would be reducing our supply base, essentially, to the oem, to GE. And we would be essentially tied to their commercial terms, parts availability, and schedule. And they perform these services for 293 machines across the globe.

>> Troxclair: So I don't know, can you give a more clear answer to the question of whether limiting or narrowing the scope of the providers would have potential cost -- would increase your cost and therefore increase customers' cost?

>> You're asking me to speculate about future bids. I can say that from bids that have occurred in the past -- has resulted in lower costs.

>> Troxclair: Okay, thank you. And I just want to know, the original contract that was initiated in 2011, has the scope of work changed at all in this new contract, or not?

>> No, ma'am.

>> Troxclair: I appreciate the background information you provided, so we understand why we need the additional turbine, what services it can provide and the cost implications for the customers if something happens. Thank you for taking the time to answer our questions.

>> Zimmerman: I have a quick technical question. There's been a lot of talk about a new gas plant to replace the aging decker power plant. So, how would -- or is it possible to know if these are the same kind of turbines that would go into the new power plant?

[10:06:23 AM]

I mean, could this turbine -- I guess Mr. Wies could answer this, could the turbine be relocated to the new plant?

>> She's a lot better engineer than I am. But, typically, we have -- in the General Electric world, they're called frame seven machines, the large ones. We have one. With a steam turbine, if you do a two-turbine, one steam turbine configuration, like at the new decker gas facility, that would be of the 7f type. It would not be of the 6,000 type machine, it would be a larger machine.

>> Zimmerman: In other words, we would not be able to move this?

>> We have six machines out at sand hill. This is a machine that would sit there and work as a we cycle in and out of maintenance.

>> These machines, they're air-derivative, they're jet engines. We start them within ten minutes. The combined cycle you're talking about are much larger machines, more efficient, a little bit slower to start.

>> Zimmerman: Right. So the new gas plant will be the combined cycle ones. You take the exhaust gas and produce additional --

>> I think what is giving me pause is the size of the contract this close to -- having the information -- and vote in proximity. And how you are handling this particular contract.

>> If I can offer a little bit of additional information --

>> Gallo: That would be great, thanks.

>> Really, adoption of a capital spare, we use those throughout our assets. Adoption of a capital spare is a maintenance strategy. It's not so much a policy change. I have warehouses at gas facilities that maintain spares.

[10:08:25 AM]

This is a large item, but to help with order of magnitude, these machines, these aeroderivative machines yielded \$135 million in settlements for customers. So, that's essentially realtime pricing exposure brought down by running these machines to lower bills for our customers. So, while \$14 million of additional spending authority certainly is a large number, the power supply cost associated with these machines are much higher. And these machines are our highest margin, most-profitable machines. That profit goes straight through the psa and drives down the cost of energy for our customers.

>> Gallo: So, you're saying the outlay -- I think this is not to exceed \$40 million combined among the three -- is less than the energy savings distributed to the community through the more efficient machines?

>> Substantially. Typically, within a year we'll have between four and \$7 million in spend associated with our gas turbine fleet, and, you know, in a year they can easily have 30 to \$40 million in positive settle the. Business case is buying down the maintenance cost. So, it really is both a positive from a revenue perspective, and a cost reduction opportunity.

>> Gallo: I think it's really important that council addition into the specific details on contracts of this size. We have spent large amounts of time on contracts that have much smaller amounts of money. So, I do appreciate the additional time. And I hope you understand the context in which we are asking the questions, because the size of the contract and what did appear to be a change in a policy direction from

previously, and also to try to balance out an understanding when council digs into contracts that may be a hundred thousand dollars, and this is 40 million, that the size bears on complete questioning.

[10:10:39 AM]

>> Gallo: Councilmember troxclair.

>> Troxclair: Just a quick clarification. The total since 2011 would be 40 million, but we're actually approving today 14 million?

>> Yes, ma'am, that's correct.

>> Troxclair: Okay. And I don't know if I can make a motion, now that I've just asked a clarifying question, but I think that we did commit last week that we would hear it today. And we have it on our agenda letter today. I would like to make a motion to approve.

>> Gallo: There's a motion to approve this item? Is there a second? Motion made by councilmember troxclair, second made by councilmember Zimmerman.

>> Kitchen: I apologize, I appreciate all this information. It's very helpful. I echo that, asking these kind of questions is particularly important right now, because we're about to embark on our budget discussions over the next few months. Can you help me understanding the timing? In other words, why is this not something we've done in the past? Why are we thinking of it now, apart from the budget they're budgetary process?

>> I'm new to Austin energy, but, our team is working with the GE users group and other utilities to explore these alternatives. I came from San Antonio, they had this fleet, we had a spare engine. This was a new idea. We went through the detailed economic analysis to determine if the spare strategy would be best for us and it was. We always try to work and prepare our budget with as much discipline and forethought as possible. I will say for power generation, year over year for the last three years, we've had year over year reductions in o&m and this is yet another tool to help us continue to reduce our o&m costs.

>> I would also add, the Im6000 fleet is relatively young. She is new. We've reorganized, and done a lot of things at Austin energy. The emphasis that she has put on all of our power plants has been an excellent recommendation.

[10:12:42 AM]

And it came toe two monthsago. Wanted to the see the Numbers. This is standard practice -- decision about what's the cheapest path for our customers, our ratepayers to make sure we have it supported. She's the one that brought the recommendation forward, so I just wanted to add that.

>> Councilmember Zimmerman?

>> Zimmerman: I have one more question. I appreciate the comment about the turbines. They're not unlike the jet turbines you put on an aircraft. When you're flying an aircraft, one engine is a lot newer than the other, typically. They overhaul them at different times. You have one near the end of its life, another recently overhauled. Back to the question of when we build the new gas plant. There's a used market for the turbines. If you buy an lm6000 five years from now, we're putting up a new gas plant -- something that, oh, it's only 10% used and we have to throw it away. There is a used market for these, right?

>> There is. Part of our business case established a salvage value at the end of useful life.

>> Gallo: Are there any other questions? Councilmember pool.

>> Pool: One last thing. On the gases plant, it is a concern to me that we're buying a turbine in advance of, we have not made a decision on whether to move forward with the gas plant, right?

>> Well, this turbine has nothing to do with the decker site. It's completely independent.

>> Pool: All right. I was hearing --

>> Yeah. The sand hill facility out by the airport is a generation facility, some time. And that's completely different than the decker site.

>> Thank you.

>> Gallo: Any other questions? So we have a motion on the floor to approve, and a second. All in favor? Any opposed? So we show all in favor with the exception of councilmember Houston voting no.

[10:14:48 AM]

And the motion passes. Staff, thank you for the presentation. It's complicated. It's new information for a lot of us. And your presentation was really -- understand and I think, addressed the many questions that we had very specifically and thoroughly in a way we could understand. So, thank you. All right. So. Do we have information on agenda item 3 at this point?

>> I think purchasing is probably the best organization to do that. But -- because I'm not the expert in it. I do know the company was SAIC, was the company before. And I know that they were purchased, or changed their name to this name. And that's all I know about it, so. And it's an engineering company.

>> Gallo: All right.

>> But, purchasing will have to look into that.

>> Gallo: They're looking into it?

>> I haven't heard back.

>> Gallo: I would guess that we have a couple of options at this point, councilmembers, committee members. We can move forward and do nothing on this at this point. We can vote to send this to council with no recommendation. Are there any other options?

>> Item number 3?

>> Since you've asked them to come back with that information, I don't know if they're still making calls. We could just move forward with some of the briefings, and if the answers come back, then we could call it up.

>> Gallo: Is that the pleasure of the committee? Okay.

>> I have a question. Because we do have the citizens here, as the mayor pro tem mentioned, since she's busy, I imagine she might say that a lot of these community members have worked really hard over some months. And I know that they're all here expecting to be able to present. If we can get them in before 11:00, that would be my preference.

>> Gallo: Mayor pro tem tovo was going to make a recommendation on moving a couple of the agenda items around so that we could address the citizens that are here as part of the task force report.

[10:16:57 AM]

>> Tovo: Thank you. I very much appreciate it. I do have a suggestion. So, item five, the discussion about the energy efficiency weatherization and solar programs, at least the energy efficiency and weatherization relates to number ten, the low-income advisory task force, I suggest we pair those and hear from the low-income advisory task force on that issue. And as I understand, the community member who is doing the presentation does have a conflict coming up. And so that might be the one we want to take up first.

>> Gallo: Was there a second one?

>> Tovo: And then I would suggest that our next one be the presentation from the low-income consumer working group, which dealt with arrearage management and payment plans. And that one relates to eight, which is scheduled for a briefing. So, that would be my suggestion, unless the chair and vice chair, and Mr. Reese feel differently. I would suggest we hear from our community groups, and then

perhaps from Austin energy. But that we prioritize, as councilmember Casar said, the community members who have worked on these plans. And I'll just look over to my community members. Does that sound like a reasonable plan to you, to start with the advisory task force and then move to arrange management?

>> Gallo: It sounds like what mayor pro tem tovo is recommending that we pull up agenda item number ten for our next discussion, and then after that do agenda item number 9. And do both of those prior to the staff briefings on those items, and then go back to the order that the agenda has been posted. Am I summarizing that correctly?

>> Tovo: Sure. Ideally, we would have the briefing from staff paired with our community members, but, you know, I think given the time and that we have community members who will have to leave, it might make sense to split them up.

[10:19:00 AM]

>> Gallo: Deferring to the mayor, part of the concern is what he is going to need us to do as far as moving into the council meeting at 11:00.

>> Tovo: I agree with the plan, then, that we hear from the community members.

>> Gallo: Let's proceed onward starting with ten, then nine, and when we get to 11:00 we'll regroup.

>> We have an answer back.

>> Gallo: Oh, terrific. So, this is agenda item three. The question that was asked.

>> Yes, ma'am. We're confirming the details, but basically, what we've seen in our research --

>> Gallo: Mic?

>> Sorry, I'm working on it. What we've seen so far is that the engineering firm we were referring to in item three was purchased by the British aerospace firm lidos, and appears to be a wholly-owned subsidiary. We're looking to determine that for sure, but, that's what the data appears to represent at this point.

>> So that's a wholly un-subsidiary of the defense contractor?

>> Yes, ma'am.

>> And you're going to bring us additional information to more completely confirm that?

>> Yes, ma'am.

>> Gallo: All right, thank you. Okay. I think at this point, we will have agenda item number 9. Excuse me, number 10. And that is the presentation from the low-income advisory task force. Thank you for being here and being patient.

>> Okay. Good morning, madam chair, Mr. Mayor, councilmembers. My name is Carol, I'm executive director of Texas rose, the organization to save energy. And I am currently the chair of what is called the low-income consumer advisory task force. We have a number of groups that have similar names, and it's hard to keep them all straight. I have what I call my generic presentation today, because I did it in kind of a hurry.

[10:21:04 AM]

We don't have any -- it reminds me of going to the grocery store a long time ago what they first started to sell generic items, that's what it looks like. We have some recommendations in the pipeline. We haven't decided anything finally yet on the task force. It seems like there are a lot of great expectations for it. And I hope that we will live up to those. I just -- for a little background, this is the city council resolution that created the task force, and we are supposed to explore program options for low and low/moderate income households. We're looking at different ideas, which I'll go into a little bit later. Whoops. That's pretty fast. The scope of our mission, as it's been defined, is to look at funding levels for weatherization, trying to look for ways for low and moderate-income customers to participate in renewable energy. We also want to encourage efficiency in apartments. And when we look at rentals, we're looking at apartment complexes, small rental units, and duplexes, because they all have a different focus in the current programs. And then we would like to establish a demand reduction goal for low and moderate-income households. A program equity, I talk about equity all the time. We have some demographic data that was provided by Austin energy surveys that were done of programs. The data is very hard to compare, but it basically supports our conclusions that low and low/moderate income consumers are not getting a fair share of energy efficiency program benefits. And I'll try and study that a little bit more. We would like to make recommendations about the survey data that is collected, because, you know, the income categories are not the same for all the programs, so it's very difficult to compare it. These are the task force members.

[10:23:04 AM]

Since we're in a hurry, I'll skip through this. We have representation from -- representation from a very good cross-section of the community. We've got Chris strand from heating and air conditioning, we have people from the low-income community that provide direct services to people, energy efficiency consultants. So we've got a pretty good group here that has been doing some great work. All right, we

had our first meeting on November 5th of 2014, not 3014, sorry about that. Why we always find our mistakes when they're up on the screen. We formed three committees. We formed a committee for low-income programs, one for moderate-income programs, and another committee for rental programs. We had 14 meetings since we started. Our next meeting is tomorrow. And on June 1st, we have a meeting scheduled to hear from citizens at the south Austin community center. And we are also coordinating with the community power forum, which is a series of meetings that the Sierra club is sponsoring in local communities. Our targeted groups, low-income, under 200% of the federal poverty guideline for a family of four, \$47,700 a year. Low-moderate, 201 to 400%, which for a family of four, would be 47701. That's the kind of number that gets me -- we also have renters. I checked all the Numbers. In 2013, 54.9% of all households rent in Austin. If we look at the income data, we'll see that the income -- there are -- we have 22% of owners have incomes less than \$25,000, and 46% have incomes less than 50,000.

[10:25:05 AM]

But if we look at the renter community, we've got almost 33% with income less than 25,000, and 64% with income less than 50,000. So, renters basically have less money than people who own property. These are some of the possibilities that we're talking about now. Some recommendations that are not final, but we're discussing them. Maybe some of them will become final tomorrow, I don't know. We want to treat all the funds that are budgeted for energy efficiency for weatherization to be treated the same way. Right now, we have two sources of funding. The funding from the community benefit charge cap, and the money that comes from the community benefit charge for energy efficiency. When weatherization funds were not spent under cap, the funds were being rolled forward to be expended in the subsequent year. There are funds for weatherization that came from energy efficiency services that were not spent in previous years and were diverted to other programs. And we'd like to see those fund that were collected since the community benefit charge went into effect, that everything -- like to try and get a one-stop weatherization program, for lack of a better term, that coordinates with the housing repair programs. What happens is, the housing repairs get done, and then the client is referred to the weatherization where they have to apply again, and the process starts all over again, when the weatherization work could readily be done while the housing repairs are in place. So, we're looking at a couple of different ways to try and coordinate those programs. I know that the one committee has been meeting consistently with Austin energy to come up with a plan that works.

[10:27:12 AM]

Hopefully we will have one before too long, because this is one of the recommendations that the task force would like to have go into effect in 2016 in the upcoming year. The other -- that has to do with looking at some of the eligibility requirements. You know, we're finding from habitat for humanity, foundation communities who participated in some panels with us, that they have rental units that are made available only to people who meet the housing eligibility guidelines, but a lot of these people, like maybe a couple dollars over the income cap for the weatherization program. So, they're doing piecemeal weatherization in subsidized housing, and we really think that that's a bad idea. And we would like to see, in those cases where the housing unit is -- just be the same as it is for the weatherization program. Okay. We have a recommendation that's already been approved to develop a new program that will provide reduced-price, high-efficiency, professionally installed window air conditioners. And that would involve setting up a low-loss reserve that is relatively small, and a couple of other details. We're finding that when people really get in trouble and they need some air conditioning, that they'll go do a payday loan or a title loan, and so we're trying to make it easy for people who are in an energy situation to get a replacement air conditioner that is a really good deal, and that's efficient. We also want to set some standards for repair and replacement of center unit air conditioners in the weatherization program. This is probably the most controversial issue, you know, that we have.

[10:29:16 AM]

And we're trying to, like, work something out to make -- when they receive the weatherization program, before it started. And we also would like to look at how we evaluate the cost effectiveness of weatherization. Most programs are evaluated on this one test that does not take into effect what -- into account what I call community values, because we need to include some societal benefits in that evaluation. Because we are getting a benefit to our community from programs that serve low-income people. Low-moderate, we're looking at a low-interest loan backed by a loan loss reserve, plus some increased -- depending on income, this is where we're looking at a sliding scale a little bit. Okay. And then this also could affect -- changing some of the weatherization income requirements to be equivalent to the housing may also, like, help some people in this group, as well. Rental, we're looking at mostly affordable renter property recommendations. We want to target a portion of the program funds to properties serving low and moderate-income households. Within the current multifamily program, we'd like to see more of that money go to those properties that serve low-income people. We want to improve the community outreach for the energy conservation audit disclosure, which has been around for a few years. We think it can be doing a better job. We're going to make some recommendations on that. And there's also some create a loan loss reserve for the better building funds. With the better building funds, and to look at virtual billing for affordable housing development with solar.

>> Gallo: Before you move on, I think councilmember kitchen had a question.

[10:31:20 AM]

>> Kitchen: I just had a quick question on the rental project recommendations.

>> Mmhmm.

>> Kitchen: Are you also talking about people that rent homes, not just apartments, right?

>> Oh, yes. We are talking about homes, too.

>> Kitchen: Okay, just verifying.

>> Casar: Now that we managed to stop you, I it sounds like it may not have been in your scope, but, did you talk about equity as far as who's receiving solar rebates?

>> Yes. We've had several presentations from foundation communities. This virtual billing is one of the recommendations that we have. And there's a project that's already in process to put solar on an affordable rental property that is being built by foundation communities. And they came to us, and they asked us about trying to change the program, first of all, the metering configuration. Because what they would like to do -- see if I can explain this quickly. Say you have 150 units. And you need a meter to measure the electricity usage that's coming from the power company at the grid. And then you have another meter that measures the production and everything, you know, like on the solar panel for the unit. And all of that, like, increases the cost. If you have multiple units, that increases the cost of construction. It also, like, architecturally, it looks bad. So what they're asking is that they use a different configuration where everybody would still have their individual meter, but there would be one central pv system that would serve all the units. The virtual billing comes in where the credits for the solar production are allocated, you know, to the customers based on some kind of a formula.

[10:33:24 AM]

So, that's what we're talking about there. And we're told that this is kind of important to making sure that the affordable rental properties that are being built right now, you know, can, like, accommodate solar and do it in a cost-effective manner.

>> Casar: That's helpful. You all have taken a look at ho how, perhaps, how many currently affordable, whether it's affordable because it's subsidized, are getting solar rebates from the city, and you found that number is low?

>> Well -- I can't speak to that. I do know that foundation communities is, like, the largest, like, the biggest private owner of -- you know, like, solar panels in the city. So, clearly, the way the program works right now, I have not looked at it directly, because we didn't get survey data on that. I think it's

reasonable to conclude that the majority of the funds that are spent on solar pv are going to higher-income groups, and not lower-income groups. And that's why we think it's important to promote some of these changes in the program, and changes in, like, metering configurations and billing that would help those who are building properties for lower-income customers to take advantage of the program.

>> Casar: Thanks.

>> Mmhm. Yeah. We want to improve that demographic data survey so that we do know, so when the year is over, you know, like, what income groups received benefits from the programs. And we also are looking at another recommendation to increase the goal for demand reduction for programs. Our next steps are, we have a special called meeting tomorrow to look at recommendations to try and make those recommendations that we want to go into effect in the next budget cycle final.

[10:35:33 AM]

We're having a meeting for public comment on June 1st at the south Austin recreation center from 6:00 to 8:00 P.M. You're all -- we'd love to have you come, your staff. We also want -- we will have our budget recommendations final by June 12th. And our final report date is to be determined. I think we may have an interim report -- [chuckling] -- And then a final report. And that concludes my presentation. Are there any further questions?

>> Gallo: Councilmember pool.

>> Pool: Real quick question, thanks, Carol, for the report. Is one of the recommendations -?

>> We have not -- I can't say that we've gotten that far yet. But, I believe there is a general consensus that a group should continue to look at the low-income issues. And some people have actually advised that the scope be broadened to beyond the energy efficiency issues, to the billing assistance issues, and everything that happens at Austin energy.

>> Pool: It occurs to me that some of the work that you're doing, if not all of it, might inform the work of the council committee on affordability.

>> Absolutely. Yes. In fact, the council committee of affordability, yes.

>> Pool: Okay.

>> We have to make that connection. I'll touch bases.

[Chuckling]

>> Pool: I think councilmember Garza chairs that group.

>> And I'm on it, councilmember troxclair is on it.

>> Pool: Right.

>> Gallo: So we have a question from mayor pro tem tovo, and then councilmember Houston, and then councilmember kitchen.

>> Tovo: Thanks so very much for your work on this, and all of our other committee members, several of whom are here. I'm very eager to see those recommendations. I would encourage you to do an interim report or forward some of those in an interim phase.

[10:37:37 AM]

I think --

>> Actually I'm delighted to do that. We do plan to have a report -- something in writing on June 12th, because the city manager's office says that that is the drop-dead date of getting this done.

>> Tovo: Okay.

>> And when we -- when I provide that copy -- all the councilmembers.

>> Tovo: I appreciate it. Thanks. I have some questions. You and I can follow up outside of the meeting, but I want to talk about changing the criteria to match the housing criteria. I want to be sure I understand that properly. One of the recommendations that's included from this group that I think makes great sense, and we've been talking about it now for several years, is linking energy efficiency and the weatherization program more closely with our housing repair programs in the community. And as you know, we've approached this issue from various angles. And have gotten as far as drafting a resolution, and then there was other work going on, so it didn't move forward. I would be eager to hear today or on a day after today, what does the working group feel is the next step? Do you want to do some more work and flesh that out? Should the council take action and initiate it? I'm really eager to see that effort move forward. I don't want to wait another two years.

>> No. There are actually two ideas that are floating around, and one is an idea that we had come up with previously, where neighborhood housing and community development would sort of, like, oversee.

>> Tovo: Right.

>> You know, oversee the program and the funds. And to set up some kind of a process under a memorandum of understanding between the two departments. And this probably would require council action, because it's not standard procurement policy, even though neighborhood housing oversees the water conservation funds that are provided by the water utility.

[10:39:43 AM]

So, that would be -- you know, that would be like -- neighborhood housing also manages the holly neighborhood improvement fund. So there are a couple of models out there that, you know, some of us on the committee think are workable. That is not a recommendation that is supported by Austin energy. Okay. Now, one -- so --

>> Tovo: It seems like there are multiple options. And I guess it's really requesting that the group among itself come to some consensus on what the best recommendation is. If it is something we need to implement before next year, that we can --

>> Council can take action.

>> Tovo: Yeah, thank you very much. Figuring out how to make our energy efficiency investments work for renters and others is critical toward not just reaching our goals as a utility and as a city, but also addressing affordability for all our residents. So, I really appreciate the work. I would suggest if we merge this committee with our other consumer working group, that we think carefully about the names. It's been a source of confusion to everybody in the community, which is which.

>> It's very stressful to make sure that you have the name right.

[Chuckling]

>> Tovo: Thank you.

>> Gallo: Councilmember Houston.

>> Houston: I, too, want to add my congratulations to the members of the task force. You all have done a great job in synthesizing the data and putting it together in a way that we can all appreciate. I'm all for coordination of efforts. Sometimes I think that we do one thing -- we do home repairs, and we don't do the weatherization. So I think that coordination is great. I think, also, the coordination of some criteria of who's eligible for the service is a good idea.

[10:41:43 AM]

My question is about multifamily. Have you all talked at all about, once a multifamily unit is weatherized -- has weatherization, or solar, or whatever they're going to implement, that the people who live in the units, their rates don't get increased, or they have an opportunity to live there after we do whatever we need to do?

>> Yes. And I know that that is something that is being looked at now. The basic conclusion out there is that it's the market that increases the rates, and not -- that's what everybody says, that the data that is available, you know, indicates that the market rate -- the market influences the increases in rates, not necessarily the energy efficiency. I have not looked at those studies. I haven't -- I don't have any opinion about whether or not they are -- we're doing it the right way. But I hear what you're saying. We don't want to make the properties energy-efficient and have the rates go up and have them unaffordable to the people living in them. That's an important consideration. And that's why targeting some of the fund for the affordable housing apartments that are already subsidized is a good idea, because they can adjust the utility allowances. And we know that there will be a true benefit there, both from an energy-efficiency perspective and from a total-cost perspective to the resident.

>> Houston: Okay, thank you. And then the last thing is that I noticed on the task force, there didn't seem to be anybody that looked like the people we're talking about. So --

>> Yeah. Well, that's true. But that's why we've been going to the community power form meetings, and we have had lots of people come in and talk to us. And when we were at the community power forum meetings, I have talked with people directly asking them questions about whether or not they knew the weatherization program existed, if they had applied for it.

[10:43:55 AM]

And I was amazed that a number of people that I've asked, they said that they did know about the weatherization program, that they did apply for it, and I know three people at the last meeting told me that they were -- their application was refused. And when I asked them why, it was because they needed housing repairs. So, it just -- it's reinforcing to me the fact that we need to do something here, that this is a big issue, and one that this task force needs to address.

>> Houston: I don't mean to make you defensive, I'm just pointing out the obvious. Sometimes we make assumptions for people who we care deeply about, but we don't include them on those boards and commissions that they can make those decisions for themselves. That's all I'm pointing out.

>> Actually, that is a good observation. So we're trying to be sensitive to the fact that we're not the recipients of the benefits.

>> Gallo: Councilmember Kitchen, and then councilmember Renteria.

>> Kitchen: I just wanted to follow up on something you said earlier related to recommendations about the funds. I think you mentioned two different funding pots, and that you were looking at recommendations related to that. And my question simply is that I would assume that as part of looking at those recommendations, you might give us your thinking on the level of funding versus what you're identifying as the need. In other words, the details regarding those two funds. It sounded to me from

what you were saying that one of the funds had dollars that were not used, and maybe the other one did not. So, that would be helpful to understand.

>> Yeah, well, actually, there are the cap funds and then the regular energy efficiency funds. The cap funds roll over if they're not spent. The energy efficiency funds do not. And I think the simplest way to explain it is, we would like all the weatherization funds to be treated the way the cap funds are, where they would roll over from year to year.

[10:45:58 AM]

But our biggest concern is that the funds are not currently being fully expended, and that is the biggest problem. So we are looking at the production issue, as well.

>> Kitchen: So in other words what you're saying is you feel like they're not being expended not because there's not a need, but because of -- well details about how those --

>> Something just -- yes. We need to do a better job of reaching out to the community. And I do think that coordination with the housing --

>> Kitchen: As part of your recommendations, do you have the data to let us know what you think the why is behind why these funds are not being expended?

>> Yes, we'll do that.

>> Kitchen: Okay.

>> Renteria: I just had one quick question. Did your task group look into homes that had the weatherization program done to them, and then, you know, in my neighborhood, we're losing a lot of homes. They're tearing them down. I know that one house just down the block from me, you know, just had a brand new roof built, and then it got sold off on the market. And they demolished the house. I wonder if your task force, could you look into seeing the low-income homes, what rate are they getting destroyed -- demolished, if they are? Because that's a very big concern.

>> Yeah. Okay. That is actually something that -- problem that has been brought to our attention. And anything -- it's something that we can try and look into and get some more information on.

>> Gallo: Any -- councilmember Casar.

>> Casar: And now that you brought up the un-expended funds in cap, within y'all's scope of work to take a look at the customer assistance program discounts and the waiting list that existed there, or is that . . .?

[10:47:59 AM]

>> Actually, that is not something that the task force has looked at. And that's probably a low-income issue that a current or future task force should be looking at. But we have not looked into the low-income discount. It's not necessarily a part of the mission. We've been pretty busy.

[Chuckling]

>> Casar: I totally understand. But, the rollover money -- some of the rollover money you're identifying for weatherization doesn't roll over, but the discount money you're saying --

>> No, because there are -- yeah. The money for weatherization that is collected as part of the cap program does roll over. The money that is energy efficiency money that comes out of the energy efficiency fee does not. And that's the issue.

>> Casar: Understood. Okay. Well, thank you. And if we do get a minute, I would love to hear from Austin energy how many folks are on that waiting list.

>> Gallo: Okay. Any other questions? Mayor pro tem.

>> Tovo: Just a quick comment following up on councilmember Houston's point. She raised the point about energy efficiency rebates that go to multifamily has been addressed in the past. It is a concern. When Austin energy moved from 100% energy efficiency rebates to a 90%, that raised a concern for several of us that those costs might be passed along to the tenants, and they might see a rate increase as a result. And so there was a council resolution that I brought forward to actually put a requirement on those receiving rebates, multifamily rebates, that would be consistent with the federal energy rebate program. It did not receive enough support to move forward, but, what did move forward was a requirement that Austin energy collect that data for any multifamily apartments receiving rebates.

[10:50:08 AM]

So, when those multifamily rebates come forward, they now provide in our backup information about the current rents in those apartments so we can get a sense of what kind of apartments are receiving rebates, where they fall on the rental scheme. Are we doing a good job of reaching apartments across the economic spectrum, but also, we have asked Austin energy to continue to track that data and -- with the sources they have. It's been a while since we've received it, so that might be a discussion for a future council meeting, just taking a look at the multifamily apartment complexes who have received rebates over the last couple of years and whether or not those rent have changed. I concur that's an argument we've heard. It may be very valid, that market rates have more impact than others, but it is a very real concern.

>> It's a concern of mine, too. And I'm not convinced that we shouldn't be looking at the issue again in another manner.

>> Gallo: Are there any other questions? I just want to say thank you. I know you recognized your task force members on the screen. But if there are any of them here, could they stand just so we can stay thank you?

>> Strand is here. And that's it. Thank you, Chris, for coming today.

[Chuckling]

>> Gallo: Thank you. We have another committee task force member here who represents -- he's actually in the business of air conditioning. And I think gives a perspective to the program from a business standpoint, if anyone has any questions of Chris at this point? Yeah. Do you want to come forward, Chris? I think there may be a couple of questions. Thank you for being here, and thank you for the task force. You know, there are a lot of citizens and community members that work -- thank you. Does anyone have any questions? We visited a little bit. And you had, you know, a perspective of this from the standpoint of implementation, and actually being in the business.

[10:52:11 AM]

And I thought if you had a couple of recommendations, ughs, -- suggestions, or thoughts that weren't addressed, you might want to share those with us.

>> Well, there's an issue of, does weatherization really work. And there was a survey done in 2011 of 900 homes that had gone through -- that had had free weatherization. And a lot of them had new air conditioning systems installed, refrigerators installed. The average cost was about \$3,400 per house, but the savings was only \$57 per house. And so, for our committee, it's kind of a conundrum, because we're supposed to be part of the generation task force, which we're supposed to go ahead and try to save energy. And yet, the money we're spending right now just doesn't really work. So I think we need to go ahead and think outside of the box, and maybe think of some different programs, which I'm trying to bring to the committee.

>> Gallo: Sounds -- councilmember kitchen.

>> Kitchen: I just wanted to follow up. I think it would be helpful for us if the point that you're making is part of the committee report to help us understand. And help me to understand, why would you say that it's not working?

>> Well, the average cost -- even right now, the average cost is \$3,500 per house.

>> Kitchen: Mmhmm.

>> When they did an analysis -- when the average was \$3,400 a house, that part -- a lot of the homes had new air conditioning systems installed, refrigerators installed. The savings was on the average \$57 a year, which was about a 60-year payback.

>> Kitchen: Okay.

>> So are we spending money just kind of giving it away, and not really getting any benefit out of that money that we're spending, and is there a way to spend less money per house and impact a lot more homes in fact.

[10:54:25 AM]

Homes. That was the eye-opening situation for me, are we doing any good by doing this free weatherization program? Because a lot of these people just don't have a whole lot of money. They haven't budgeted a lot of money towards energy. So we're doing all these repairs, and hardly any money is being saved by it.

>> Kitchen: Okay.

>> And the other thing is, the vast majority of what we're doing is for single-family homeowners. I mean, almost all the money we're spending is on single-family, we're not impacting the rental community. We're not being equitable at all in the money that we're spending. So, what's happening with all the rental property out there? And we've got to think of things like financing, financing things that are -- like, or giving away or giving inexpensively led lights. Maybe having a refrigerator program where landlords and tenants, and owners could approach us -- refrigerators at a lower cost. If Austin energy went ahead and bought these things in bulk. Like an energy star refrigerator costs around \$700. And it can save about \$40 a year, as opposed to spending \$3,400 for \$57 a year. So, we really need to completely, I think, change the way we're doing free weatherization. We can't just throw money at a problem and get rid of funds. That's one of the things I've been hearing. We've got all this money budgeted, but we're not spending it. But if -- maybe that's a good thing until we find out what really works, and where the money should be spent.

>> Kitchen: Okay. It would be very helpful from my perspective if that was addressed as part of the report.

[10:56:31 AM]

>> And the logistics of having that included in the report, can that be done?

>> Sure.

>> I think the financial impact, as we all talk about, you know, we want, as we do with our families and our businesses, we want to have the maximum impact for the dollars we spend. You know, and the desire is to spend the money to help. But, you know, being able to analyze it from a fiscal standpoint of knowing how we can best spend the money to help the most people effectively, I think, would be really important. So, thank you for bringing that up. Any other questions?

>> Casar: Quick question. Just to clarify what I think would be helpful in the report, it sounds like there's a great opportunity to save more money. I do hear a lot of people in four-plex properties in my district with outrageous electric bills that are really, really incredible, especially as a percentage of the rent they're paying. And so, if the task force can help us identify, if we're spending money in a particular way, and it's not saving people money, there are a lot of people that would like to save a lot of money. And having more energy-efficient places to live should --

>> That's the issue. All the money is going to the homeowners, hardly anything goes to renters. We need to really address that part of the community.

>> Casar: Thank you. And chair, if we have any time before we wrap up, Austin energy did let me know they have the number of people that are on the waiting list for the customer assistance program. I think it would be helpful for council to hear that number. It's a pretty big number when we consider what we're putting our money in. This sounds like a place we could help a lot of folks. If we have a minute before we start the appraisal challenge item.

>> Gallo: Thank you. Any other questions of Mr. Strand? No? Okay, thank you very much for being here. Okay. That completes the presentation on agenda item number 10. It sounds like there is a request to hear staff's presentation on the question.

>> Casar: It's not a presentation, just quickly, the number of people on the customer assistance program waiting list.

[10:58:36 AM]

I think it gives some context to the question. We've been talking about cap funds for weatherization, but, a lot of cap money goes to residents in need getting discounts.

>> Mark, vice president for regulatory affairs in corporate communication. At the current time, there are 2,089 customers on the waiting list to receive cap program benefits. The size of the waiting list changes from month to month. In January, we only had 59 customers. So, it will go up and down. Those 2,089 customers are all qualified for the customer assistance program because they receive supplement nutrition program benefits, S.N.A.P., or food stamps.

>> Casar: Thank you for that information. It's a helpful context for us to know there are a couple of thousand people waiting now to get their utility bills discounted.

>> Gallo: Any other questions? Councilmember --

>> Zimmerman: The obvious question is, how does this not directly contribute to the economic segregation in the city? Because we say that we're concerned about -- Austin is one of the most economically segregated cities. How does this policy not directly contribute to that as we grow the roles of the city?

>> Gallo: Okay. All right. Mayor, we are getting close to 11:00. What is your preference as far as us continuing? We have not gotten to agenda item number 9, which is a presentation from a working group. I think mayor pro tem tovo has a comment.

>> Tovo: I was just going to say my staff have been in touch with them. It will likely prompt questions and other things, so my guess is that it wouldn't be a very fast presentation by the time we add in council comments.

[11:00:43 AM]

So --

>> Mayor Adler: My preference would be to see if we have -- at 11:00. So, my recommendation would be that you recess the energy -- Austin energy meeting. Let us convene the council meeting. Let's at least make that call for speakers, and then we could always come back to the Austin energy task force.

>> Zimmerman: I will second that, Mr. Mayor.

>> Gallo: Okay. So the motion is to recess the Austin energy committee, council committee meeting at this point to move back into it at a later time today. I have a motion and a second. All in favor? Any opposed? Unanimous on the dais.

-

>> Thanks mayor. Let's see if we can move quickly through the last briefing. I think it was item 8. If it is ok, we will shift item 5 and 6 to June. But we'll cover judgment 8. Is staff here for that. I will read what this item 8 is briefing and discussion regarding payment arrangements arrearage management and bad debt. Mr. We have the -- Weist do you have staff for this? I realize it is making it difficult to keep up with us today.

[5:04:28 PM]

>> Keeping it interesting.

>> That's right continue keeping it interesting.

>> Good evening, council members, mayor. My name is Kerry Overton, I'm the deputy manager at Austin energy. I presentation I have before you is to speak more about the payment arrangement on to the budget. This agenda will walk us through what we wanted to present here today in terms of the payment arrangements. There is not an action for council to take at this moment. This is a briefing, a sharing of information with you. We will be bringing an rca payment arrangements for a recommended ordinance change in June 18, 2015, based on the information that we're sharing with you in this presentation. Let's start here.

[5:06:28 PM]

As it relates to utility debt, and we collect the debt for all utility services, Austin energy, Austin water, wastewater, Austin resource recovery and other entities throughout the city. What we have seen since 2014 is that the bad debt expense exceeds drastically where the industry comparison is for other cities. When you look at, in a one-year period the amount of debt that is accumulated that is being unpaid, Austin energy is \$20.9 million compared to about \$5 million on average to the comparative group.

The question is: How do we actually get to the bad debt? How does a utility customer bill work its way down to at this time utility debt? As we stated for all utility services we about 445,000 customers. Approximately 80% of our customers pay their bill on time. A lot of the discussion, unless -- at times they may have a hardship at one period or another. Many of our customers were not in that. Approximately 20% of our customers are going through the collection process. They're making payments after the due date. There is door hanger put on the door. And there is a disconnect. Approximately 20% of customers go through the process. About 8% of our customers before they conclude the collections process, they enter into a payment arrangement with us. And entering into the payment arrangements allows the disconnection process to stop.

[5:08:29 PM]

It means they make an agreement with the city that they would pay their current bill and pay amounts on any arrearage debt they have. Windows pa -- payment arrangements -- when those payment arrangements are broken and debt is not collected, that uncollected debt becomes a bad debt expense from an accounting perspective and also represents loss of revenue to the city. This amount has to be

eventually made up and will work its way into the rate-making process. In the payment arrangements, there are basically two programs that have been put in place in 2014 by council. The customers that Mark Dreyfuss in his presentation refer to as the customers referring the discounts -- in this presentation, receive discounts. Part of the eligibility they received in the new ordinance, the new policy, extended payment arrangements that could go up to 36 months and 3 to 4 payments if they break them throughout the process. In this presentation and even in our ordinance change, we're not going to bring a recommendation to council to change the protections and flexibilities affording to discount customers at this time. However what we do see is because those extensions have been made on payment arrangements to all other residential customers, what we have found is that the number of payment arrangements increasing and the amount of debt increasing with the payment arrangements being broken. So we will be making a recommendation or ordinance change for all other residential customers.

[5:10:32 PM]

As you can see we want to continue to be flexibility. We want to do case management and do want to work with our customers. However, where we are now we will bring forward a recommendation that moves term for all customers from 36 months to 24 months to pay back their debt. From three and possibly four payment arrangements by the current ordinance, to two payment arrangements and then if the payment arrangements are broken, we are going to be asking to move closer to our old policy whereas considering from this residential group, the payment arrangement for the first installment we're asking for 10% down on the balance and 30% in cases if they were disconnected, coming back into the service, this allows the city to begin to collect the revenue associated with that debt. As you can see, if you look at a 10-year period from 2000 to 2011, we on average, we saw our debt increase about 8% per year. That was about \$8.7 million that I showed you on the previous slide. But what we have seen now in just the last three years, 2012 to 2015 as a result of the change in the policy, that average of debt increase into 17.9 million. That is a 28% increase each year. So again, what was the policy? We all thought we worked with the stakeholders group. We thought everybody involved in the process had good intentions. With the good intentions an increase in payment arrangements, stringing the debt out over a period of time, what we have found the initial goal was to lower the payments, provide more opportunity for installments and give customers additional payment arrangements.

[5:12:42 PM]

What we really have found is the more time we have offered, we have seen more dpas broken. They're unsuccessful and the individual account debt has increased.

>> Mr. Overton, just a second, councilmember kitchens has a question for you.

>> Kitchen: I'm sorry. I want to understand the relationship. I understand that you have seen this happen, in other words, you have seen the debt continue to grow after the time of this change, but I'm trying to understand if it is really causal. In other words, if it is the change that really caused this or if there is something else going on in our community that is contributing -- I'm sure it could be a combination of factors. But could you help me understand what it is you are seeing that makes you think that the change in the policy actually caused the increased debt? Could it be that people are less able to pay at this point in time than they were a number of years ago.

>> What we have seen, it appears to be harsh, when they have less time to confer that debtad the customer owed two hundred, to \$300, in that time, in the 12-month period, what we have found is most customers paid, and those who could not, it caused all of our services, the city services, community advocacy groups and even the customer with families and friends. It caused all of us to put all of our resources together in a shorter period of time that went from \$300 to \$900 opposed to letting it stretch out that is now up to \$2,000 and they can't get services outside of our reach.

[5:14:53 PM]

>> Kitchen: Services outside of our reach?

>> Meaning assistance. What we hear from the service providers, at some point in time when the customers go to the social service agencies and community advocacy groups even their funding is limited. When they have a customer and make a choice between provides assistance for a customer that owes \$5,000 or \$6,000 on utility debt, they would rather provide the funds to five customers that owe \$800 apiece. Because they believe they can create a remedy by spreping it out around more customers and get them back on to a registrar schedule.

>> Kitchen: One less question. You're talking about intervention earlier by the social service providers. As long as an individual has an amendment arrangement with utility, then the assistance they might get from an essentially service organization doesn't kick in at that point, are you saying that shortening that to -- shortening the time period that they may have a payment arrangement actually allows them to get assistance sooner for a lower amount?

>> Absolutely. The services the city provides and all additional services. Yes. Here's an example upon look at 2013 compared to 2015. If you look at customers who had a total balance, multiple customers. A balance of less than \$500, under the previous policies, that group averaged about a little less than \$930,083,000 in debt. \$930,083 in debt. That customer is now down. That category you have seen it double, and some cases it will triple.

[5:16:54 PM]

If you look at customers that have balanced of \$1,500 -- balances of \$1,500 or more that has moved to \$16 million. That is a great correlation to show that the longer you string it out, the less likely we're able to not only collect the debt but it is increasing.

>> Kitchen: Can I ask another question? Not right now but I would like to get more information about who the individuals are. I think that would be important to understand, I don't know how much data you have. Do you have data that gives demographics and socioeconomic status of the individuals? Do you have income levels or anything like that to compare?

>> We can show you where their house is, residence is and where they reside geographically in the city. We do not have the data divided by income status -- the only data we have around income is if they qualify for the discount programs. If they're in the cap program, we can separate this data. We have an example of a slide a few more ahead of. We can't identify the cap customers where they are, what's their status and how much debt they have for the rest of the residential customers.

>> You wouldn't have --

>> Not on income data, no, ma'am.

>> Kitchen: Councilmember.

>> Casar: We saw a slide from Mr. Batland that the years went back to the time that the billing system issues happened. Did you have similar data?

[5:18:54 PM]

Do you see a spike when the ordinance was changed or was the spike with the billing system? Or both spikes? How does Austin energy view that.

>> Very good question. When we are hearing a reference made to billing system, it has been associated with billing systems errors during the between the 11-2012 period to approach into 2015. I want to assure you, at that time when we talked to you about the billing system, what was happening is all of our billing processes remained as furthermore. We billed our customers we continued the collections process. The only thing that changed is we did not disconnect our customers during the time period that we disabled our system. There was a number of errors. The way we deal with errors at that stage is the same as today. That is if the customer had a billing error we would research that, go back for direction, give them the same amount of time that the error had occurred on their bill. We would give them the same amount of time to pay that back to us. So in that case, the only thing that happened was we were

not disconnecting. We were sending courtesy notice. We still in fact instead of the 24-hour door hangers, signifying we would be disconnecting, what we did was gave courtesy calls. We turned the inbound call center to outbound courtesy center to help initiate the courtesy calls. Did that help discuss your concerns.

>> Casar: Sure. We don't have to have that full discussion now. My question was, if we looked at the years prior to the ordinance change, the one slide we saw from Mr. A batland showed an even amount of growth before that.

[5:21:03 PM]

I wanted to see what Austin energy was -- we can have that off the dais. We had a discussion this morning that went back to 2011 and the graphs and charts shown start in 2013.

>> We can provide that data.

>> Casar: I would like the comparison.

>> Councilmember Houston.

>> Houston: You may have mentioned this when I was off the dais. I think I remember from an earlier conversation today, the majority of the people who are behind on not people on the cap program, can you verify that.

>> If I could put the Numbers in perspective. Of the four U 45,000 accounts, there are customers participating in the payment arrangement process. Roughly 20,000 of those customers are noncapped. Not part of the discount program. They're regular reg debts. Of the debt, the new policy provides the same exact flexibilities for customers who have the greatest need and gives it also to the customers who are regular noncap and we have also seen that group stretch out their debt to a point where the payments are not being made and it contributes to the bad debt, bottom line, that we talked about. Ok. And this is that example. We talked about the comparison. If you look at the real Numbers of the comparison of 2013 to 2015. The balance has increased from \$11 million to \$29 million. As you can see, you would think that payment happening only in one area. This chart represents -- it is really all over the city. And that is all we're trying to show here, it is dispersed geographically in most areas throughout the stay where debt is owed to the city.

[5:23:10 PM]

Let me give you two examples. I don't want to use exaggerated extreme cases, but I want to give you sort of what I call a book end. Customer a, debt was happening during the time period we suspended disconnections. I want to talk about recent going into late 2013 into 2014, so it is not even associated with debt that came because we were not disconnecting. It is because most customers feel that they have a long time to feel that they have a long time to pay back the debt. Customer a in 2013 -- this is a real case with no name attached for obvious lanes. Customer a owed us \$8,700. They went through five payment arrangements over a one year and more period. Maybe paid a few dollars, very, very low amount, continued to mount up debt. Finally, until the fact they had exhausted all five payment arrangements. We disconnected them, completed the process, disconnected them and they came in and paid \$18,000 cash. And their account was current. Now, I don't want to just use that as an extreme, but that is a reality. Some customers may even game the system. But let me use a customer B example. This is a real example, too. Very moderate -- very typical. A customer that owed us \$143. In February of 2014. This is representative of many of our customers. With all utility services combined they had a bill of \$275 total combined services. They extended three pa -- payment arrangements over a one-year period and at this point, their debt in March of 2015, going into their fourth payment arrangement went up to \$2,300.

[5:25:20 PM]

That is not an extreme case. Here's the point. I think where we went, we all have good intentions. We want to work with the stakeholder groups, and we want to work with customers. We find we're out of line with the utilities cities comparative group. Most cities are offering flexibility of payment arrangements of one and two, we're offering four. Where those same comparative groups and cities are offering from three to 12 months of payback opportunities, we're offering 48. The point is, Austin energy and so does the other utility services of the city. We want to help the customers, that need the greatest help. Which is why we are also saying we don't want to change to the cap policy at this time. But we have other customers, benefitting from the same processes that is afforded to our cap customers and we're only building up debt. It is not helping that customer. It is not helping the city. It is, eventually, if it continues at this rate, it will not help the other customers who may see their rates increase.

>> Larry Weist general manager. I want to add this last slide, Kerry, if you put it back up. Our financials, particularly the rating and so forth. Never came up in conversations but it did recently. One of the concerns I have, frankly, is we have to be consistent with public power, in particular. Looking up at the screen up there, not every one of the utilities is city-owned. But one of the things you need to know happen is perked in Ellis and bluebonnet are neighbors, customers that have a lot of difficulties there, frankly they will come to a neighboring utility where it is better.

[5:27:34 PM]

And the other one is that if we think we have difficult service areas in terms of people that are needy, Memphis gas, I can tell you firsthand experience, in Memphis, it is a difficult service area. They have a very difficult issue around this. And also again, just concerned about the finances. So I wanted to point that out.

>> Ok. Mayor pro tem tovo had questions.

>> Tovo: I have a few questions for Mr. We have the and Mr. Overton. Mr. Weist you just mentioned something you suggested came up in bond reviews. I don't understand what you are raising.

>> It is not in bond reviews, but in the work with rating agencies, when we ask for the specific rating that is the work that goes into it. We have constant meetings with rating agencies they want to know what is happening with issues, whether it is anything in paper or anything like that. We have recently had questions about this, this policy I'm just pointing that out that it eventually will become a financial concern that we'll have to address somehow through policy depending on how it goes.

>> Tovo: That is why we have been having these conversations. I mreesht -- appreciate you providing that comparison of payment arrangement, I'm comparing the one from November 2014 to the one that you presented today, do we have in our packet the amount of bad debt for each of the utilities as well? That would seem to me also useful agenda the payment arrangements in how Austin compares in bad debt.

[5:29:34 PM]

How it compares to itself historically and also how it compares to other

>> We can get that.

>> Tovo: That would be super.

>> Yeah, we can get that.

>> Tovo: Then of course my last question for the moment would be -- we heard some discussion a little earlier about the work group and that it was stopped rather abruptly and I -- could you repeat that? I'm sorry.

>> Tovo: The work group. I'm wary of naming that because its name is so similar to the other one, bond concerns, Austin monitor sparkle what not. The group represented by bob batlan earlier in the presentation.

>> I recognize bob referring to, I have to agree we don't know exactly what we wall it ourselves. We are the helping group.

>> Tovo: Arrearage management group for lack of another name.

>> We'll come back with an official name. We're going to continue to work together. Here's the best of my recollection. The work group finished. We had to go back an an Austin energy to try to at least think about before we came back to council what would be the impact of those policies in terms of how it would impact our systems operations, you know, the billing system. So if we were going to extend and change the way the operation would work, we had to at least do a little bit of homework behind how would we implement it and carry it out? In some cases we had to go back to the legal group to see if some aspects what have their group was recommending had any concerns from a legal perspective. As we got into November or the election period, obviously, we had a -- the changeover and so this was the first time we could get it back on the council.

>> Tovo: Do you have any objections to a restart -- I'm sorry.

>> Well, we had the one time that our vice presidents made that presentation that you referred to. But we do agree that the working groups immediate to continue to maintain working together.

>> So since -- I think that Austin energy has made representations, that group has made some recommendations.

[5:31:35 PM]

Do you have any concerns if the council were to reconstitute that group at least for the purpose of pulling together those recommendations to forward them to council so we could have kind of a full discussion?

>> I think that would be a great recommendation, and we would support it. What would I caution you, though, is -- I would caution you, though, depending how long the deliberations goes, what we're seeing is all of the customers who received extensions back at the time that we created the new policy in 2014, almost 80% of those customers are completing their fourth and fifth final payment arrangements. So why we're going to work together, the debt is still mounting.

>> Tovo: I appreciate that there's a need to take action. I'm looking over the ordinance that we changed. I don't remember it saying fifth payment arrangement, but we can -- so some of those changes are outside the ordinance we changed. But you won't get an argument from me.

>> Okay, thank you.

>> Tovo: I believe we need to move forward in making some changes but I want our recommendation -- I want --

>> Kitchen: Thank you for bringing the comparison information to the other utilities. I think that's useful. From my perspective, it also would be interesting to compare their assistance programs. Because to me, I think we have to look at the whole picture. I think we have to look at it from the perspective of the payment arrangements and how that's handled, where the comparison is in terms of debt, which I think someone else asked for. But I'd like to understand what the comparison is with assistance. Because to me, I'm curious about whether these other communities that perhaps have a lower debt are doing something different in terms of intervening or helping customers who can't afford to pay. It would justing an interesting piece of information to be able to compare.

[5:33:37 PM]

>> We understand and we'll working on getting that data back to you.

>> Pool: Councilmember Zimmerman.

>> Zimmerman: Thank you. I would -- when I look at these Numbers, I'm a little bit, you know, disappointed in what's happened, and I would like to know where the recommendations came from that led to this problem so that I don't hear from them again. It looks like it's been kind arrive disaster. It's not been good for the utility, it's not good for the people that are mounting up these massive debits that are going to go bad, and I'd like to see this thing fixed. It's a problem, it looks like. It's out of control. I'd like to see it fixed, you know, sooner instead of later. I'm very concerned about it.

>> Pool: I have a question too. The chart that you have that Austin energy created with a number of cities on it and they have only one or two payment arrangement options, do you know anything about the tolerances that were built into the collection processes? Were they like the day late, penny; is that right Mr. Batlan was referring to or were there grace periods offered?

>> I'm sorry, I didn't catch all your question.

>> Pool: There was a chart that y'all had with cities with one or two payment arrangement options.

>> Right. This chart?

>> Pool: Yeah.

>> Right.

>> Pool: Do you know what toll tolerances, if any, were built into their collection processes?

>> In their collection processes.

>> Pool: Yeah.

>> We'd have to find that out. Each of those utilities are public, and their rates and terms representatives -- tariffs, rates, policies are probably all online, in terms of digging down into the deep ones. I can tell you my experience, California, in particular smud, kind of like a mud in Texas, frankly, not owned by a city.

[5:35:40 PM]

In California there's some pretty strict standards that were collectively negotiated around like our cap program here there. Our program is better for cap customers here than it was in California where I worked.

>> Pool: Great. That additional information would be helpful, I think, in informing the discussion going forward.

>> We'll certainly pull that data together.

>> Pool: Thank you.

>> Off the top of my head, one of the things you will see, as we talk to our peer groups, the time from which a bill is due and the courtesy notifications that we provide up until a disconnect, I think the data is going to find that we are, in not leading in terms of flexibility, we're in the very top tier.

>> Pool: Okay.

>> So okay. Thank you.

>> Pool: Is that it?

>> For that presentation, yes, ma'am.

>> Pool: Okay. All right. Great. Mayor pro tem.

>> Tovo: I would also be interested, I know some of our community members have provided us with this information, but I appreciate your comment that we're not leading and we may be in the top ten, but there are utilities out there that have robust arrears management plan programs and other kinds of programs along the lines what have we're talking about. So -- of what we're talking about. It would be helpful probably for the council to be able to evaluate some of those roll model programs as well.

>> Okay. We'll work on that.

>> Tovo: Thanks.

>> Pool: Thank you so much, Mr. Overton, for the presentation. There was a citizen wishing to speak on this item. Aubrey mctosh here?

>> Casar: Chair.

>> Pool: I'm sorry. Mr. Mack tosh.

>> Doctor.

>> Pool: Thank you so much, Dr. Mctosh.

>> Mayor, councilmembers, I came down here just to observe, and I had no interest in speaking.

[5:37:43 PM]

But I find that I think I should. I have an alternate interpretation or a question on this last talk, and I want to put a personal face on one of these accounts and tell you what the story is. I was in Minnesota at a temporary job a few years ago. I was also care take my wife in her final years while she had Alzheimer's. I had some tenants in the house, and it turned out that they were pretty bad tenants. They did something like \$30,000 damage to the house. They also ran up a utility beneficial about \$2,500. As I read the tenant-landlord law I was not able to do things such as turn off the utilities in order to evict them and the utility was in my name. From time to time in the past I had paid a utility bill late, and I had in fact gotten a notice that said, you know, do get with it or we'll turn the bills off and I did in fact get the bill paid and the city had its money and I had utilities. During this time, I was in Minnesota, this did not happen. The notice never went out. It was during the period that this billing system was changed over and this aspect of the system was broken. The city said they could not or would not do anything. I made several phone calls because I'm one of these people out of the house, and I thought having the utilities off was the way to do it. I thought the city could do this as policy. I felt that I could not, as a matter of staying within the law.

[5:39:50 PM]

So I think that some -- that's some extra information that should be provided. I can't tell exactly what the dates are. Again, I was not prepared to speak, but I think that accounts for at least some of the increase in bad debt between the 2013 and 2015 years that were presented on the slides. I think if I were the council with this story in front of you, I would want to ask at the time that this billing system was repaired and they began the cutoffs, again, what was the total number of months that that

accounts, 15 or 18 months, what was the total dollar amount that was because of the failure during the changeover, and the bottom line of this is --

[buzzer sounding]

>> -- I believe it's a misinterpretation to say this is due to policy. I would question if the entire increase in debt is due to bad software at the time of changeover.

>> Pool: Thank you.

>> Thank you for hearing me.

>> Pool: Thank you, Dr. Mctosh. Mr. Batlan, did you have something you want to contribute.

>> Real quickly in response to Mr. Overton's presentation, we did recommend changes to the October -- or November of 2013 council change to the processes that impacted the cap customer that Mr. Overton had, and we were trying to work -- work out some slightly differences in terms and conditions, and we thought that they went a little bit too far. But we agreed in principle with what point. The other point with the slide which shows the payment arrangement balances, it is just a fact that if you offer more payment arrangements, you'll have more payment arrangements.

[5:42:04 PM]

So I think I think that's just a fact of the new process, and the that's right we -- that's right we -- efforts that we want to do going forward will address those. Thank you.

>> Pool: Colleagues, that concludes the people speaking and the briefing on item 8. What's your pleasure? Shall we conclude our proceedings for the day? All right.

>> Mic mic.

>> Pool: I'll junior the meeting of the Austin energy oversight committee. It is 5:42 P.M. Thank you, all. We'll see you next time.

[Meeting adjourned]